

INSTRUCTIONS FOR PREPARATION OF THE REPORT OF EXAMINATION FOR TRUST DEPARTMENTS

REFERENCES

The following material should be used in the preparation of the Trust Report of Examination:

1. Instructions contained herein
2. Federal Deposit Insurance Act
3. FDIC Rules and Regulations
4. Washington Office and Regional Office Memoranda
5. Instructions for the Preparation of the Annual Report of Trust Assets
6. Manual of Trust Examination Policies
7. Trust Examiner's Entry Checklist
8. Examiner's Trust Workpaper Checklist
9. The instructions for evaluation of trust departments under the Uniform Interagency Trust Rating System
10. Various Federal and State Laws, Regulations, and Rules governing trusts

INTRODUCTION

The Trust Report is designed to provide flexibility for the examiner based upon trust department activities and functions. The format of the report focuses attention on the important concerns of the examiner and a narrative evaluation of the six critical areas set forth in the Uniform Interagency Trust Rating System (UITRS). There are three sections of the report: the Core Section, the Supplemental Section, and the Confidential Section.

Core Section - Seven pages including two prepared by the trust officer comprise the Core Section of the report. These pages are to be completed at ALL trust examinations and consist of the following:

Examiner's Comments and Conclusions
Page 1

Three Year Summary of Trust Activity; Recap of Contingent Liabilities, Potential Losses and Estimated Losses
Page 2

Supervision and Organization; Operations, Controls and Audits
Page 3

Asset Administration; Account Administration
Page 3-A

Conflicts of Interest; Earnings, Volume Trends and Prospects
Page 3-B

Trust Officer's Questionnaire Page 4

Officer's Statement of Trust Department Assets and Liabilities
Page 4

Optional pages designed to augment and available for inclusion in the Core Section are as follows:

Assets Not on Department's Books; Differences in Accounts
Page 2-A

Violations of Laws and Regulations
Page 3-C

Accounts and Matters Subject to Comment or Criticism
Page 3-C

Supplemental Section - The Supplemental Section is comprised of pages containing detailed schedules and narratives to be used in providing support for comments and judgments presented in the Core Section of the report of examination. With the exception of three schedules, these supplemental pages should be included with the report only when their use supports important points. The three exceptions are Employee Benefit Accounts of Own Bank Carried in the Department, Stock of Own Institution or Parent Company Held in Fiduciary Accounts, and Holdings of Control Stock. Instructions for the use of these and other supplemental schedules are detailed in a subsequent portion of these instructions. The examiner also has discretion to prepare individually tailored schedules to support any examination finding.

Confidential Section - The Confidential Section will be completed at each trust examination but will not be returned to the bank. Use of pages B and C are optional but should be included in the report whenever significant changes in management or trust committee(s) have occurred. The Trust Report Checklist (Form FDIC 6350/30) is to be completed and included with the Confidential Section. After report review, it should be returned to the field office without distribution.

The trust report of examination will generally not include a Table of Contents except where the examiner determines it desirable.

Appropriate planning for each examination is critical to the efficient and effective employment of human resources. Planning and pre-examination activities may include, with consent of the Regional Director, a pre-examination visitation. A major portion of the information evaluated during a trust examination is provided directly by bank management. Various questionnaires and an entry checklist displayed in Appendix B of the Manual of Trust Examination Policies are available to examiners as aids in gathering needed information. These aids should be useful during the examination, a pre-examination visitation, or both.

Although the scope of a trust examination is difficult to predetermine, some attempt is required. It is necessary to gauge an approximate time frame for the examination and decide which of the departmental functions are to receive closer review than others. The number and depth of account reviews are important to support the validity of examination findings. Evaluation of individual accounts may be very time consuming and the size of a particular account and the risk of loss or surcharge resulting from its administration may not correlate. In large and complex departments, examiners must limit the scope of their evaluation for reasons of time effectiveness, unless preliminary findings warrant continued investigation. Therefore, examiners should judiciously determine the examination scope, based upon findings of previous examinations. Ordinarily, all phases of a trust department's operations would be examined over the course of three examinations. The scope schedule (Page A-) should clearly indicate the functions performed during the examination and the depth of review of each. Examiners should show that

the examination scope complements that of previous examinations in order to guide the future examiner.

GENERAL INSTRUCTIONS

ROUNDING

Unless otherwise indicated in these instructions, amounts shown in trust report schedules should be rounded to the nearest hundred. Adjustments should be made in order that certain schedules can be balanced. The dollar sign will not be used when typing amounts in report schedules, however, most supporting workpapers and any schedules prepared by bank personnel are to reflect actual book figures.

OTHER

A list of all criticized accounts, violations of laws and regulations, technical exceptions and other important matters covered in the Examiner's Comments and Conclusions schedule should be left with management at the close of the examination.

All pages smaller than 8 1/2 x 14, if included in the report, should be attached to Form FDIC 6350/25 (3-83).

Whenever possible, the first name, middle initial and last name of individuals should be shown.

SPECIFIC INSTRUCTIONS

A complete set of available report pages follows. Specific instructions for the use of these pages and notations concerning their captions are included. Instructions regarding a specific page are shown on the reverse of the preceding page. In certain instances where pages are grouped, e.g., pages 3 or pages 4 instructions for all pages are combined.

EXAMINER'S COMMENTS AND CONCLUSIONS
(Forms FDIC 6350/02 (3-83), 6350/03 (3-83),
and 6350/03A (3-83))

Important matters disclosed during the examination which are in need of correction or improvement should be discussed on this page together with the examiners conclusions concerning the bank's trust activities. When criticism is made by the examiner, it should be accompanied by constructive recommendations to enable the bank to make improvements or take corrective action. Items should be discussed in the order of their importance and management's responses noted.

Likewise, the examiner should indicated those bank officials, including committee members and directors, with whom the examination findings were discussed.

Page 1 of the trust report differs from that of the commercial examination as the UITRS Composite Rating is not to be disclosed on this page. The condition of a bank's trust department is to be considered in assigning the bank's Uniform Bank Rating, or CAMEL.

Form FDIC 6350/02 (3-83) is to be used only when a trust examination is conducted jointly with a state banking supervisory agency.

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**THREE YEAR SUMMARY OF TRUST
ACTIVITIES, OF CONTINGENT LIABILITIES,
POTENTIAL LOSSES AND ESTIMATED LOSSES
(Form FDIC 6350/04 (3-83))**

The **THREE YEAR SUMMARY OF TRUST ACTIVITIES** presents condensed statements of condition of the trust department over the last three calendar years. This information is taken directly from the Annual Report of Trust Assets. The examiner may have to combine some of the categories found on the Annual Report in order to complete the condensed statements. Other notes and bonds should include mortgages. Stocks should include both preferred and common stocks. Amounts shown on this schedule should be rounded to the nearest thousand with 000 omitted.

Examiners are to complete the **MEMORANDA** items as of the most recent date information can be obtained, with that date appropriately noted. **MEMORANDA** dollar amounts should also be rounded to the nearest thousand with 000 omitted.

Following the **MEMORANDA** section, space is provided for the examiner to explain any unusual fluctuations in asset mix or growth trends. The Annual Report of Trust Assets shows market values for discretionary accounts. Nevertheless, many trust departments hold large volumes of assets for which the departments do not exercise discretion. Examiners should note the carrying value of "nondiscretionary" assets where such comprise an important portion of the department's business and fee income; these amounts should be as of the most recent date the information can be obtained, with that date appropriately noted.

The schedule **RECAP OF CONTINGENT LIABILITIES, POTENTIAL LOSSES AND ESTIMATED LOSSES** is a summary of dollar amounts listed on page 3-C. These amounts should be rounded to the nearest dollar.

**ASSETS NOT ON DEPARTMENT'S BOOKS;
DIFFERENCES IN ACCOUNTS
(Form FDIC 6350/05 (3-83))**

This is an optional page and should be included in the report of examination only when the volume or number of variations is significant. Otherwise, they should be discussed with management and appropriate documentation included in the workpapers. Amounts for these schedules should be rounded to the nearest dollar.

**SUPERVISION AND ORGANIZATION;
OPERATIONS, CONTROLS AND AUDITS-
ASSET ADMINISTRATION; ACCOUNT
ADMINISTRATION - CONFLICTS OF INTEREST
(Forms FDIC 6350/06 (3-83), 6350/07 (3-83) and
6350/08 (3-83))**

The Uniform Interagency Trust Rating System requires the examiner to evaluate a department's condition by focusing on six critical areas. These provide the topical headings for the examiners narrative analysis on pages 3, 3-A and 3-B. Under each topic, the examiner is directed to address certain points and comment upon the department's performance. (The examiner does not disclose the ratings assigned each factor.) These narrative discussions are supported, in part, by the examiners responses to questions detailed on the Trust Report Checklist. This checklist, forwarded to the Regional Office with the completed examination report, is not returned to the bank. Therefore, the examiner should not reference the checklist in comments found on page 3 or elsewhere in the nonconfidential section of the report.

A more complete set of questions regarding these topical discussions will be found on the Trust Examiner's Workpaper Checklist, a copy of which is included with Appendix B of the Manual. This checklist follows the Trust Report Checklist as each question on the latter is set forth on the former and supported by several specific questions designed to guide the examiners responses. Although use of the workpaper checklist is optional, the points addressed under each caption should be covered in the examiners narrative discussion of these critical areas.

**EARNINGS, VOLUME TRENDS AND
PROSPECTS
(Form FDIC 6350/08 (3-83))**

Examiners should use bank generated data for the completion of this schedule when practical. It is recommended that banks construct and use trust department budgets. Many banks, however, do not maintain complete or realistic records of trust department earnings. Fee and other direct trust income is easy to determine since records of that income are usually complete and readily available. Banks are not uniform in accounting for other trust income and expense items, necessitating the examiners employment of the formula explained in the Uniform Interagency Trust Rating System (UITRS), a copy of which is included in Appendix B of the Manual.

When examiners compute a particular income or expense item in accordance with UITRS instructions, the item should be noted by an asterisk as indicated at the bottom of the schedule. Management should be apprised of the formula followed in preparing the schedules, and the examiner should discuss trust earnings with senior management in instances where departments are large or actively seeking new business.

The Quarterly Average of Demand Deposits carried with own bank is to be taken from the bank's commercial bookkeeping records. The dates of computation need not be the last day of each calendar quarter, but the dates should be equal spread throughout the year and reflect the bank's business trends. The Washington Office furnishes the average Federal funds rate for the preceding five years. This information is usually available by the end of January. When the most recent year's rate is not known, examiners should make an estimation and explain the method used in the comments section below the schedule.

VIOLATIONS OF LAWS AND REGULATIONS (Form FDIC 6350/09 (3-83))

Violations of the same or related statutes and regulations should be grouped and scheduled under topical headings, e.g., Regulation 9.18 or FDIC Regulations, etc. Apparent violations of the Employee Retirement Income Security Act of 1974 (ERISA) and the various Federal securities laws and regulations should be grouped and scheduled independently of other violations.

Definitions of contingent liability, potential loss and estimated loss are shown on the inside of the front cover. As a general rule, violations do not involve contingent liabilities. Where determination of the violation has been made by a competent authority or litigation is threatened, the scheduling of contingent liabilities and/or losses would be appropriate. The designation Contingent Liability (CL), Potential Loss (PL) or Estimated Loss (EL) should be indicated beside the scheduled amounts. These amounts and their designations should be explained and supported in the comments regarding the violation. Amounts are to be rounded to the nearest dollar.

This page need not be included in the report where violations not involving ERISA are few or insignificant and correction is expected. Where this page is not included in the report, it or a similar schedule should be prepared (copy given to management) and placed in the workpapers. ERISA violations are always included in the examination report.

**ACCOUNTS AND MATTERS SUBJECT TO
COMMENT OR CRITICISM
(Form FDIC 6350/10 (3-83))**

Accounts found to have important administrative or investment deficiencies should be scheduled for comment. Accounts whose deficiencies are similar should be grouped and written under descriptive headings. In that regard accounts involving pending or threatened litigation (where the bank is subject to loss or surcharge) should be grouped under the caption, **PENDING LITIGATION**.

Individual account "white-pine" are to be displayed as follows:

Account Name CL, PL, or EL
Fiduciary Capacity
(Account Number)
Corpus Amount

Briefly outline account history and indicate nature of criticism. Describe the criticism or give reason for listing the account and note the names, where known, of bank personnel responsible. Where the problem results from inadequate policies or controls, it should be so indicated. (Numerous or serious policy weaknesses should be specifically addressed in the Examiner's Comments and Conclusions schedule.) Discussions should be brief but complete. Examiners are to indicate the bank's proposed remedial action. Amounts listed for CL, PL or EL should be clearly described and supported. Amounts are to be rounded to the nearest dollar.

This page need not be included in the report where deficiencies are few and management is capable and willing to correct them. Potentially harmful deficiencies, particularly those involving self-dealing or investment incompetence, should be reported whether numerous or isolated.

**TRUST OFFICER'S QUESTIONNAIRE OFFICERS
STATEMENT OF TRUST
DEPARTMENT ASSETS AND LIABILITIES
(Forms FDIC 6350/11 (3-83), 6350/12 (3-83)
and 6350/13 (3-83))**

Page 4 and supplements are designed to expedite the work of the examiner and should be presented to the trust officer immediately at the start of the examination or pre-examination visitation.

When additional space is required to answer any item, the supplemental page (Form FDIC 6350/12) may be used. The questionnaire is intended to inform the examiner authoritatively and quickly on various matters, with particular emphasis on revealing sources of contingent liabilities and the existence of practices which may be considered unsound.

The Officer's Statement of Trust Department Assets and Liabilities is prestructured which may require an officer to reconstruct the department's periodic statement of general ledger accounts. It should be noted that the categories of assets and liabilities have been taken from the Annual Report of Trust Assets (Form FDIC 8020/65, FFIEC 001). Additional categories to accommodate bookkeeping accounts and nondiscretionary account categories, e.g., Corporate Trust Accounts, have been added for the officer's convenience. Examiners may provide assistance but should not construct the statement.

All pages should be signed by an authorized officer of the bank. As previously indicated, these pages form part of the Core Section of the report and are to be included with each copy of the final report of examination. Examiners should encourage bank officers to keep questionnaire responses brief but allow for complete answers. Whenever supplemental information is provided which does not enhance the report, page 4 supplements may be deleted and maintained in the workpapers with a proper notation made in the Examiners Comments and Conclusions schedule.

COLLECTIVE INVESTMENT FUNDS
(Form FDIC 6350/15 (3-83))

Space is provided to schedule several collective investment funds. Information to complete the top schedule should be readily available from the latest valuation reports on each collective fund administered. The second schedule requests other information that should be helpful in examining the funds. Most of the information should not be difficult to obtain and in some cases will become part of the examiners record of the fund and remain unchanged from examination to examination.

Each collective fund has a name assigned by the bank which is the Fund Identification. The type of fund indicates the purpose of the fund and appropriate captions are noted in the instructions for preparation of the Annual Report of Trust Assets (Form FDIC 8020/65, FFIEC 001).

The performance data, both principal and income is readily available from the annual report of each fund. The years should be noted in descending order, the most recent year first. Income yields are percentages which should be rounded to the nearest tenth percent. Where examiners have to compute these percentages, the total unit income for the fund year is to be divided by the average unit value for the period.

The Manual discusses the "Basis for Tax Exemption" in detail.

This is an important supplemental schedule, which examiners should update at each examination page should be included in the report where information about management's use of the funds as account investment vehicles is significant or numerous violations or deficiencies are noted.

EMPLOYEE BENEFIT TRUSTS AND AGENCIES
(Form FDIC 6350/16 (3-83))

Amounts shown on the schedule should be book values as of the examination date or another date closely preceding the examination. Aggregate totals will not reconcile to any other schedule.

Comments should include only important matters supporting the examiners assessment of account administration or adverse findings noted in the Examiner's Comments and Conclusions schedule. Where a department has emphasized growth of employee benefit account business or such business provides a major portion of the department's revenues, the examiner may use this page to discuss the bank's policies and practices.

**EMPLOYEE BENEFIT ACCOUNTS OF OWN
BANK CARRIED IN THE DEPARTMENT
(Form FDIC 6350/17 (3-83))**

This schedule is for the bank's own pension or other employee benefit plan administered by the trust department of the bank. Where more than one type of plan is administered, such as plan sharing, deferred compensation, stock option or purchase, welfare benefit, or any other type, a separate schedule should be prepared for each plan. In order to complete this schedule, the examiner should review, analyze and evaluate each type of plan utilized by the bank.

The bank's own pension or other employee benefit plan should be reviewed in light of the requirements of the Employee Retirement Income Security Act (ERISA) both from the standpoint of employer and fiduciary responsibilities. Such plans should be analyzed in detail to determine if there are any prohibited transactions in the account unfunded liability on the part of the bank which might be considered a contingent liability, or other unusual circumstances.

Unfunded liabilities of a defined benefit account, such as a pension plan, represent the possible liabilities of the plan to beneficiaries which have not been adequately funded by the plan sponsor (in this instance the bank). ERISA and related regulations require that these unfunded liabilities be determined actuarial and reported in Schedule B of Department of Labor Form 5500. That form should contain the information needed to complete the appropriate schedule. Various rate assumptions are necessary requisites to calculate unfunded liabilities consequently, they are a key to evaluating the unfunded liability of a particular plan. These rate assumptions, including the investment return, employee turnover, and increase in salaries, are determined by the plan sponsor and should be carefully appraised by the examiner.

This schedule should be completed at each trust examination and included in the report. If no real or apparent problems are found, the page may be returned to the field office without distribution.

CORPORATE TRUST ACTIVITIES
(Form FDIC 6350/18 (3-83))

This schedule is to reflect book values as of the examination date or another date close to the beginning of the examination. Two schedules are contained within one: (1) the book values of cash and other assets held within the corporate accounts are shown to the left; (2) the original and outstanding balances of corporate trust issues over which the department is trustee are shown to the right. The information needed to complete the first may be taken from the trust department's general books. In order to complete the second part of the schedule, it may be necessary for the examiner to complete Corporate Trust Line Sheets.

This page should be included in the report in situations where corporate trust activities are an important portion of the department's business or significant deficiencies are noted in corporate operations or administration.

**STOCK OF OWN INSTITUTION OR PARENT
COMPANY
HELD IN FIDUCIARY ACCOUNTS
(Form FDIC 6350/19 (3-83))**

This schedule is optional but will be included in the report of examination if the bank holds 5% or more of its own stock or that of its parent company in fiduciary accounts. Fiduciary accounts for the purpose of this schedule are those over which the bank has full or limited investment discretion. Usually directed trusts and nondiscretionary agency accounts would not be included.

There are three columns in this schedule which allow the examiner to recap the holdings of one to three stocks on the page. For example, a department may manage common shares of both the bank and the parent company or manage holdings of a preferred stock of one or both. The requirements of the fiduciary are notably increased if the stock is registered. The date the Acquisition Statement was filed for registered stocks should be noted in the appropriate block near the bottom of the schedule. An Acquisition Statement is a disclosure as discussed in Section III(C) of the Manual; examiners should also refer to Part 335 of the Corporation's Regulations.

RECAPITULATION OF SHARES HELD ACCORDING TO RETENTION requires the number of shares held under several types of authority. Specific Authority refers to the language in an instrument governing an account which specifically references the stock in order for the shares to be included. Otherwise, shares would most often be included under Full or General Discretion.

RECAPITULATION OF SHARES HELD ACCORDING TO VOTING POWER includes all shares held in fiduciary accounts whether or not the shares are actually voted. Employee stock ownership plans (trusts) and some profit sharing plans (trusts) require shares held within the respective trusts to be voted by a committee or by a plan administrator and a space is provided accordingly. Sole discretion means authority to vote the shares without consultation, whether or not it is the policy of the bank to exercise its sole discretion.

LAST TRANSACTION IN STOCK refers to the last known transaction whether or not it involves trust accounts.

DEBT SECURITIES OF OWN INSTITUTION OR PARENT COMPANY HELD IN FIDUCIARY ACCOUNTS indicates the volume of such holdings. Terms of debentures convertible into voting stock should be indicated by notation under **COMMENTS**.

COMMENTS should also include information concerning the bank's policy regarding the retention and voting of bank or parent stock held under its discretion. Significant deficiencies in such policies should be noted in the Examiner's Comments and Conclusions schedule.

**OBLIGATIONS OF DIRECTORS, OFFICERS, AND
THEIR INTERESTS,
AND BANK AFFILIATES HELD IN FIDUCIARY
ACCOUNTS
(Forms FDIC 6350/20 (3-83) and 6350/21 (3-83))**

Loans and obligations of directors, officers, employees and investments in their related interests should be scheduled in the appropriate category of either Group A or Group B on these schedules. Securities and obligations of affiliates and/or subsidiaries of the bank, if the organizations cannot be placed under the Group B category, should be listed under Group C. Comments should include the manner in which the investments were acquired, period held, voting practices, and authority by which assets are retained.

In determining whether or not a corporation or other business enterprise should be reported as "an interest" of a director, officer or employee, the following general rule may be applied: if the director, officer or employee is connected in only a minor capacity or does not exercise any material control, the examiner should not include these loans, obligations or investments.

Holdings not subject to special comment or criticism may be listed under group headings, describing the security or obligation and indicating the total number of trust accounts and volume of securities held for each such security or obligation. Although not called for by the caption, for informational purposes the examiner may list holdings by trust accounts of securities or obligations of insiders of the bank.

HOLDINGS OF CONTROL STOCK (Form FDIC 6350/22 (3-83))

As indicated, stocks to be listed are those the trust department holds and has sole fiduciary power to vote which constitute 5% or more of the outstanding voting shares of an issuing company other than own bank, parent or affiliate. It is expected this schedule will be primarily restricted to registered securities. For each such stock held by the trust department, the name and location of the issuer number of shares outstanding for each class of stock held, number of shares and percentage of each class held and number of trust accounts involved should be listed. In those situations where such holdings are subject to special comment or criticism, individual holdings as to each trust account could be detailed.

Trust departments often hold control of local or other nonregistered companies and administration of such stocks may present difficulties which are further discussed in the Manual. Therefore, stock holdings of 25% or more of nonregistered companies should be shown on this schedule or a separate page and included in the report when administration of such issues, either individually or in aggregate, is deficient, or administration of closely held stock comprises a significant portion of the department's business.

**DOCUMENTATION AND PROCEDURAL
EXCEPTIONS
(Form FDIC 6350/23 (3-83))**

This page covers both documentation exceptions and practices and procedures exceptions. The columnar headings are self-explanatory. In most cases this page will be completed, left with management and not be included in the report of examination. However, if exceptions are numerous and reflect on management or the overall condition of the department, the schedule should be included. Examiners should make it clear that the exceptions scheduled are limited to those found in the accounts analyzed and do not represent all exceptions in the department. When the page is omitted from the report of examination and exceptions are more than nominal, a comment should be made in the Examiner's Comments and Conclusions schedule that a list was left with management. The number of exceptions should be indicated.

This page is to be used for exceptions relating to personal accounts, employee benefit accounts, and collective investment funds. Exceptions noted in the review of corporate trust accounts may be shown on a following schedule.

**CORPORATE TRUST DOCUMENTATION AND
PROCEDURAL EXCEPTIONS
(Form FDIC 6350/24 (3-83))**

This form may be used to schedule corporate trust account exceptions. Instructions for use of the previous page are applicable here.

Form FDIC 6350/25 (3-83))

The format of other report pages has been prepared to be adaptable for specific purposes. For those pages not so adaptable or where continuation pages are not provided, Form FDIC 6350/25 should be used. Space has been provided for the appropriate page title.

Additional schedules or printed matter to be included in the nonconfidential section, with exception of those pertaining to the trust Officer's Questionnaire, may be attached to this page.

CONFIDENTIAL - SUPERVISORY SECTION
(Form FDIC 6350/26 (3-83))

This page is divided into three sections. The first section provides specific information about the examination. Included are three blocks concerning dates trust powers were granted by the chartering authority, consent to their use given by the FDIC, and exercise commenced. Banks granted trust powers by state statute or charter prior to December 1, 1950, regardless of whether or not such powers were being exercised do not have to file an application with the Corporation for consent to exercise them. Such approval was deemed to have been grandfathered by the approval of such bank for Federal deposit insurance and examiners should use that date as date of consent. Banks approved for Federal deposit insurance after December 1, 1950 are required to file an application to exercise trust powers, unless such filing was made simultaneously with the application for Federal deposit insurance, or the bank can demonstrate it was exercising trust powers on the date it became insured after December 1, 1950. In such cases the date the bank became insured or the date of approval of the separate trust application would be date of comment.

The second section shows the component and composite ratings under the Uniform Interagency Trust Rating System, a copy of which is reprinted in Appendix B of the Manual. The component ratings should reflect the findings of the examiner as discussed under the respective captions on pages 3, 3-A and 3-B of the Core Section. Only confidential information about any aspects of the components would be discussed in the comments on this page.

The third section is provided for the examiners comments in support of the composite rating and conclusions as to the overall condition of the department. The examiner should indicate the depth and quality of trust management and the name age and bank tenure of the chief executive trust officer.

**SCOPE OF TRUST DEPARTMENT
EXAMINATION
(Form FDIC 6350/27 (3-83))**

Seldom is the scope of trust examination complete. Usually the functions noted in the schedule are completed over a three-examination cycle. Therefore, it is important that the examiner indicate the functions performed and the extent of review. Examiners are expected to show the number and dollar volume of accounts reviewed. Verification of assets should only be undertaken when circumstances warrant; for example, when the bank or accountants fail to routinely check assets, deficiencies in vault or transfer procedures are noted.

Each Annual Report of Trust Assets should be reviewed for accuracy. The report is accompanied by instructions and trust management should maintain adequate workpapers. Assets are required to be reported at market value and only "discretionary" accounts are to be included. These criteria should be given particular emphasis in the review. Generally, failure to complete reports in accordance with these two basic instructions would necessitate a refiling.

TRUST COMMITTEES
(Form FDIC 6350/28 (3-83))

In the "Name of Committee" schedule, if more than one is listed they should be numbered (1), (2) etc.

In the "Committee Members" schedule, designate the committee or committees on which each person serves by listing after their name the number or numbers assigned to such committee. If more space is needed to complete any portion of this page, a supplemental page should be utilized.

TRUST REPORT CHECKLIST
(Form FDIC 6350/30 (3-83))

This checklist questionnaire is a required page of the Supervisory Section. It may be returned to the field after the report has undergone Regional Office review.

The examiner should exercise judgment responses to questions. A negative response is inappropriate where only minor exceptions are noted and the particular item of inquiry is found generally acceptable. Each question is supported by a series of questions in the Examiner's Trust Workpaper Checklist.

Negative responses should be discussed in the examination report under the appropriate caption or in the Examiner's Comments and Conclusions schedule. Management's intentions of correction should also be noted.